

Message Text

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ACTION EB-07

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E. O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: ECONOMY MINISTER MONDELLI MAKES FURTHER COMMENTS ON
ARGENTINE ECONOMY

REF: BUENOS AIRES 932

1. FOLLOWING FEBRUARY 9 PRESS CONFERENCE (SEE REFTTEL),
ECONOMY MINISTER MONDELLI OFFERED FURTHER PUBLIC COMMENTS ON
ARGENTINA'S ECONOMIC SITUATION AT FEBRUARY 10 LUNCHEON HIS
HONOR OFFERED BY CONGRESSIONAL BUDGET COMMITTEE. MONDELLI'S
STATEMENTS ADD UP TO UNUSUALLY FRANK AND REALISTIC ASSESS-
MENT CURRENT DIFFICULT ECONOMIC PROBLEMS.

2. MONDELLI POINTED OUT ARGENTINA'S CREDIT RATING HAS SUNK
TO NEW LOW POINT IN WORLD. HE SAID IT NOT TRUE ARGENTINA
WELL RECEIVED BY INTERNATIONAL BANKS OR THAT NEW CREDITS
EASY TO OBTAIN. PROBLEM, HE CONTINUED, IS THAT ARGENTINES
DO NOT KNOW HOW THEY GOING TO RESOLVE THEIR OWN PROBLEMS -
WHICH AFFECT FOREIGN INTERESTS AS WELL. MONDELLI SAID
ARGENTINA HAD INITIATED ACTION TO ARGENTINIZE SEVERAL FOREIGN
BANKS AND COMPANIES WHICH STILL DO NOT KNOW HOW AND WHEN
PAYMENT WILL BE MADE. MONDELLI ADDED WHILE ARGENTINIZA-
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TIONS NO DOUBT INSPIRED BY NOBLE AND PATRIOTIC SENTIMENTS,

THEY HAVE LEFT COUNTRY WITHOUT CREDIT IN WORLD.

3. MONDELLI CHARACTERIZED EXTERNAL SITUATION AS MOST ACUTE ECONOMIC PROBLEM CONFRONTING ARGENTINA. HE POINTED OUT ARGENTINA NOT PROVIDING GREATER IMPORT FLEXIBILITY, AS ADVOCATED BY SOME, BECAUSE NO MONEY LEFT TO PAY. HE ADDED ARGENTINA WOULD CONTINUE POLICIES TO STIMULATE EXPORTS BUT EXPANSION NON-TRADITIONAL EXPORTS NO SOLUTION TO SHORT-TERM PAYMENTS PROBLEM BECAUSE THESE EXPORTS GENERATE LONG-TERM IOUS WHICH DIFFICULT TO DISCOUNT.

4. ON FOREIGN INVESTMENT, MONDELLI STRUCK IRONIC NOTE POINTING OUT ARGENTINA INDEED HAD EFFECTIVELY PROTECTED ITSELF AGAINST ALL IMPERIALISMS VIA NEW FOREIGN INVESTMENT LAW, SO MUCH SO THAT FOREIGN INVESTMENT TOTALLY SUPPRESSED.

5. MONDELLI SAID ARGENTINA SEEKING NEW IMF CREDITS BECAUSE THEY ABSOLUTELY INDISPENSABLE. HE ADDED ARGENTINA, ONCE AND FOR ALL, MUST BREAK OLD MYTH THAT DEALING WITH IMF IMPLIES LOSS OF SOVEREIGNTY.

6. MINISTER MONDELLI ALSO ASKED CONGRESS FOR RAPID ACTION ON BUDGET AND TAX LAWS AND CONFIRMED THAT ECONOMIC TEAM DID NOT PLAN WITHDRAW LAWS FROM CONGRESS. HE POINTED OUT DEFICIT BETWEEN REVENUES AND EXPENDITURES NOW TARGET IN ARGENTINE HISTORY AND GOVERNMENT MAINLY FINANCING ITSELF VIA INFLATION.

7. COMMENT: MONDELLI'S COMMENTS HAVE RECEIVED MIXED REACTION. BUSINESS AND BANKING COMMUNITY GENERALLY HEARTENED BY MONDELLI'S CANDOR WHILE LABOR DEPUTY DEEPLY DISTURBED. MOST SOURCES CONTINUE POINT OUT MONDELLI DOES NOT ENJOY DOMESTIC POLITICAL SUPPORT AND BELIEVE HIS FUTURE AS ECONOMY MINISTER UNCERTAIN.
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